# Fed raises rates to 22-year high

Update from the Cash and Liquidity Management team UBS Asset Management

26 July 2023

# On Wednesday, July 26, 2023 the Fed raised rates to the highest level in 22 years and signaled more hikes may come.

The Federal Open Market Committee (FOMC) of the US Federal Reserve hiked rates at their  $26^{th}$  July meeting by 25 bps, as was expected by the market, moving the fed funds target range to 525 bps – 550 bps from 500 bps – 525 bps. The vote for the rate hike was unanimous at 11-0.

There were very minimal changes to the meeting statement compared with the June meeting. The Fed marginally upgraded their assessment of economic growth from a "modest" to "moderate" pace. Notably, the Fed did maintain the language that "additional policy firming" may be needed, which keeps the door open for additional policy tightening. They also kept the description of inflation as "elevated."

During his press conference, Fed Chair Powell tried to impress upon the market that there is no pre-set policy for upcoming meetings, but rather, the Fed will make a decision on policy on a meeting-by-meeting basis and be data dependent. He mentioned that the Fed could hike in September or it may elect to pause depending on how the data comes in during the intermeeting period. He did acknowledge that June's CPI report came in softer than expectations, which is an encouraging sign. However, it was only one month and the Fed needs to continue to see inflation move durably lower over time. On the topic of rate cuts, Chair Powell mentioned that he does not anticipate the need to cut rates this year.

Fed funds futures are now pricing in 5.4 bps worth of hikes for the next FOMC meeting on 20<sup>th</sup> September, with 10.7 bps of cumulative hikes priced by the 1<sup>st</sup> November meeting. The yearend implied rate is 5.39%, which remains below the Fed's median dot of 5.625%. The S&P 500 finished the day only marginally down (-0.01%) with the 2yr Treasury lower by 2 bps to 4.85%.

We continue to position our UBS money market funds to take advantage of this rate hike and for the broader market environment.

> For daily yields and additional information about our offerings, please visit www.ubs.com/usliquidity



For marketing and information purposes by UBS. Published July 2023. This document does not replace portfolio and fund-specific materials.

## For more information

Contact your financial advisor or UBS Asset Management at 888-793 8637 for a current Fund prospectus. Consider carefully the Fund's investment objectives, risks, charges, expenses and other matters of interest set forth in the prospectus. The prospectus contains this and other information about the Fund. Please read it carefully and consider it before investing. It is important you have all the information you need to make a sound investment decision. An investment in a fund is only one component of a balanced investment plan. Diversification and asset allocation strategies do not ensure gains or guarantee against loss.

Current and future portfolio holdings are subject to risk.

UBS Asset Management (US) Inc., the Fund's placement agent, is an affiliate of UBS-AM. UBS-AM is registered with the SEC as an investment advisor. UBS-AM is an indirect wholly owned subsidiary of UBS Group AG

#### For CNAV Money Market Funds

You could lose money by investing in money market funds. Although certain money market funds seek to preserve the value of your investment at \$1.00 per share, they cannot guarantee they will do so. An investment in any money market funds is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Money market funds' sponsor has no legal obligation to provide financial support to them, and you should not expect that the sponsor will provide financial support to money market funds at any time.

# For FNAV Money Market Funds

You could lose money by investing in the fund. Because the share price of the fund will fluctuate, when you sell your shares they may be worth more or less than what you originally paid for them. Also, the fund may impose a fee upon the sale of your shares or may temporarily suspend your ability to sell shares if the fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.

Not FDIC insured. May lose value. No bank guarantee.

### Americas

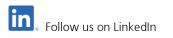
The views expressed are a general guide to the views of UBS Asset Management as of July 2023 The information contained herein should not be considered a recommendation to purchase or sell securities or any particular strategy or fund. Commentary is at a macro level and is not with reference to any investment strategy, product or fund offered by UBS Asset Management. The information contained herein does not constitute investment research, has not been prepared in line with the requirements of any jurisdiction designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. The information and opinions contained in this document have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith. All such information and opinions are subject to change without notice. Care has been taken to ensure its accuracy but no responsibility is accepted for any errors or omissions herein. A number of the comments in this document are based on current expectations and are considered "forward-looking statements". Actual future results, however, may prove to be different from expectations. The opinions expressed are a reflection of UBS Asset Management's best judgment at the time this document was compiled, and any obligation to update or alter forward-looking statements as a result of new information, future events or otherwise is disclaimed. Furthermore, these views are not intended to predict or guarantee the future performance of any individual security, asset class or market generally, nor are they intended to predict the future performance of any UBS Asset Management account, portfolio or fund. Separately Managed Accounts discussed herein are offered through UBS Financial Services Inc., which serves as the program sponsor. UBS Financial Services Inc. provides consulting, custody and execution services to clients invested in the UBS Asset Management separately managed account strategies.

Separately Managed Accounts discussed herein are offered through UBS Financial Services Inc., which serves as the program sponsor. UBS Financial Services Inc. provides consulting, custody and execution services to clients invested in the UBS Asset Management separately managed account strategies.

There are fees associated with investing in separately managed accounts. For fees charged in connection with the UBS Financial Services program, please refer to the UBS Financial Services ADV Wrap Fee Program Brochure.

For more information, contact UBS Asset Management at 888-793 8637. Mutual funds are sold by prospectus, which includes more complete information on risks, charges, expenses and other matters of interest. Investors should read the prospectus carefully before investing. An investment in the Fund is only one component of a balanced investment blan.

UBS Asset Management (Americas) Inc., 787 Seventh Avenue , New York, NY 10019 The content of the discussion is not to be construed as legal, business or tax advice.



© UBS 2023. All rights reserved. AMT-4434 C 7/23

ubs.com/am